

City of San José Housing Department  
**RENTAL RIGHTS AND REFERRALS**  
**ANNUAL REPORT**



**2016-17**

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## INTRODUCTION

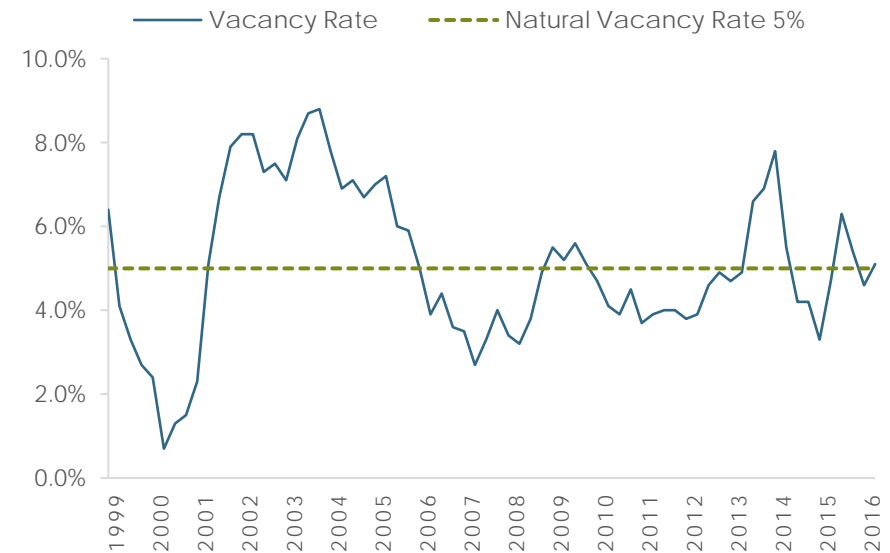
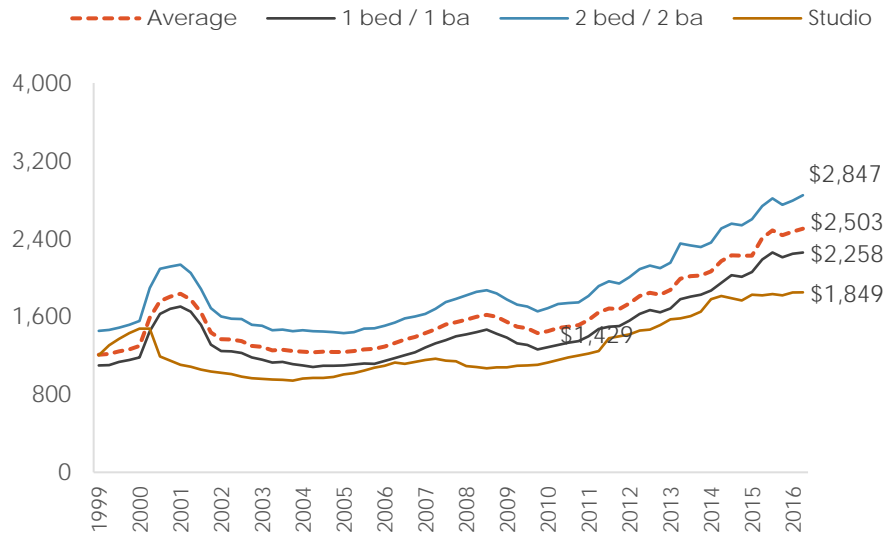
The City of San José has been experiencing a severe housing affordability crisis. San José is one of the most expensive cities in the country in which to live, and it has one of the highest rates of rent increases in the country. In March 2016, the median rental price for a one-bedroom apartment in San José was \$2,244 per month (\$26,928 per year), a nine percent increase in costs over March 2015. The median rental price for a two-bedroom apartment was \$2,792 per month (\$33,504 per year), a 7.3 percent increase over March 2015.

Over the past two years, the San José community has been engaged in a discussion regarding the Apartment Rent Ordinance and its role within our community. Based on input from the community and information from staff, the City Council passed the Ellis Act Ordinance and Tenant Protection Ordinance. These new laws provide the following provisions:

- 12 just causes for tenants to be given a notice to vacate, and elimination of no-cause notices
- Relocation benefits to tenants
- Right of return to the unit after Ellis Act removal, substantial rehabilitation, and order to vacate
- Standardized and formal process for issuing notices
- Rent stabilization for future tenants

Average Rent for Apartments of All Sizes increased by 1.2% since last fiscal year

Average Vacancy Rate Dropped from 6.3% in FY 2015-16 to 5.1% in FY 2016-17



Source: Costar 2017 Quarter 2

In 2010, the average rent for an apartment was \$1,429.  
In Spring 2017, it was \$2,503.



## PROGRAM HIGHLIGHTS

The San José Rental Rights & Referrals Program provides various services to landlords and tenants/residents of apartments and mobilehomes in the city. The primary services include:

- Mediation and arbitration hearings between landlords and tenants/residents
- Customer service intake through walk-ins, phone, mail, and e-mail
- Outreach at community events and meetings, through e-blasts and newsletters
- Policy development and implementation

### FY 2016-17 Workload Summary

**368** petitions filed  
*(a 11% decrease from the previous year)*

**5,917** inquiries addressed  
*(a 59% increase from the previous year)*

**10%** of customer contacts received in languages other than English

**52** public meetings held on ordinance changes and program updates

# PROGRAM OVERVIEW



## Mission Statement

To enforce the provisions of the rent ordinances for the City of San José through education and collaboration in order to promote and maintain safe, healthy and sustainable apartment and mobilehome communities.

## Major Accomplishments in FY 2016-17

- Tenant Protection Ordinance effective May 9, 2017
- Ellis Act Ordinance effective May 26, 2017
- Approval and extension of a temporary moratorium to prevent mobilehome conversion applications
- Engagement on the Mobilehome Opt-In Concept, including nine Advisory Committee meetings
- Provided flood-recovery assistance in response to the February 2017 Coyote Creek flood

## Current Staffing

- Housing Policy and Planning Administrator
- Senior Analyst
- 3 Analysts
- Staff Specialist

**6.0 FTE**

## Authorized 2016-2017 Program Budget

**\$1,746,290**



# MAJOR POLICY CHANGES

## Ellis Act Ordinance

On April 25, 2017, the City Council adopted the Ellis Act Ordinance. This Ordinance creates a standardized and formalized process for issuing notices, provides relocation benefits, and protects tenants when a rent stabilized property owner makes a financial decision to remove their property from the rental housing market.

To remove the building permanently from the residential rental market under the Ellis Act, the property owner is required to pay relocation assistance to the tenant household based on bedroom size.

The new requirements adopted by the City Council became effective on May 25, 2017.

## REQUIRED RELOCATION PAYMENTS

	Studio	1BR	2BR	3BR
Base Relocation Assistance	\$6,925	\$8,400	\$10,353	\$12,414
Qualified Assistance Levels	\$2,770	\$3,360	\$4,141	\$4,966
Special Assistance	\$1,200	\$1,400	\$1,700	\$2,000

## Tenant Protection Ordinance

The Tenant Protection Ordinance specifies requirements for providing notices to vacate for tenants living in apartments buildings with three or more units in San José. The Ordinance protects tenants from unanticipated evictions and gives them some stability in San José's difficult housing market.

Just cause is a requirement that any notice to a tenant to vacate state a just cause for eviction. Notice to vacate must be based on a cause included in the list of 12 "Just Cause" terminations listed in the Ordinance. The Tenant Protection Ordinance includes just cause protections for tenants commencing on the date of tenancy covering existing leases and rental agreements in place at the time that the Ordinance became effective.

### 12 Just Cause Terminations Listed in the Ordinance

#### Just Cause Reasons Based on Tenant Actions

1. Nonpayment of rent
2. Violation of the lease
3. Damage to the apartment
4. Refusal to agree to similar or new rental agreement
5. Disorderly behavior disturbing the peace
6. Refuse access to the apartment, requested in accordance to law
7. Unapproved holdover subtenant

#### Just Cause Reasons Based on Landlord Decision or Consequence of Action

8. Substantial rehabilitation of the apartment
9. Removal of apartments from the rental market under the Ellis Act
10. Owner move-in
11. City code enforcement actions requiring a move out
12. Convert an unpermitted apartment for permitted use

On May 9, 2017, the City Council adopted an Urgency Ordinance that implements the Tenant Protection Ordinance immediately. The new requirements adopted by the City Council became effective May 10, 2017.

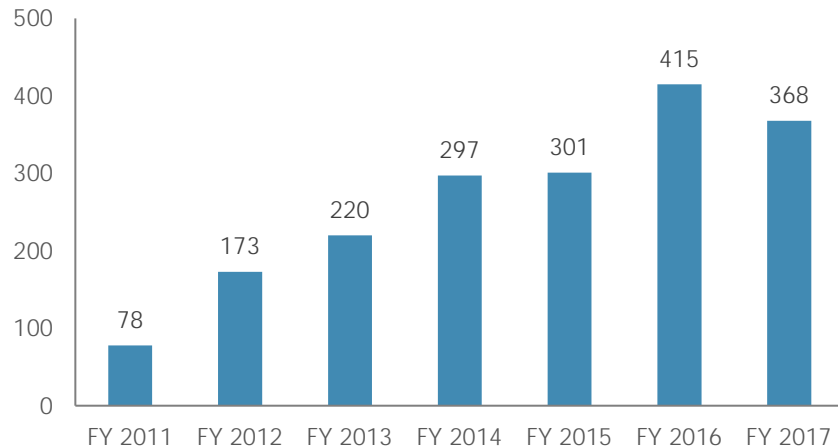




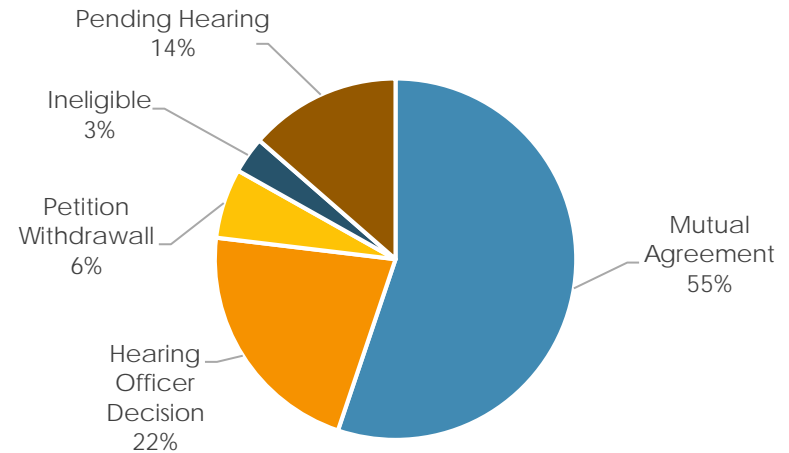
The number of petitions filed has steadily increased over the last seven years

Most petitions filed (55%) are resolved through mutual agreement

Petitions Filed FY 2011-2017



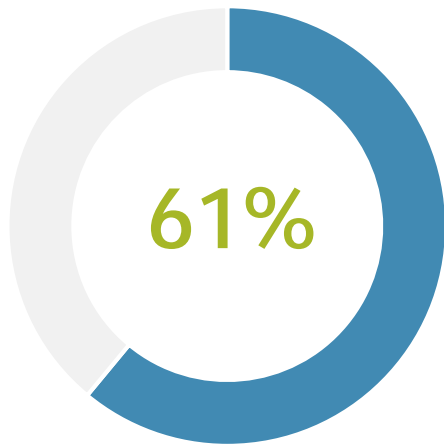
Outcomes of Petitions Filed FY 2016-17



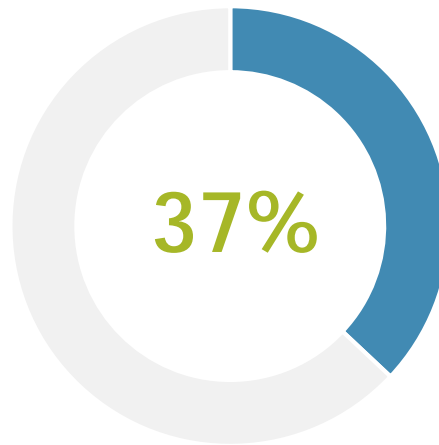
The number of petitions has increased 370% over the past seven years. The number of petitions filed in 2016-2017 is the second highest since the program's inception in 1979.

Most tenant petitions were filed for service reductions or housing code issues.

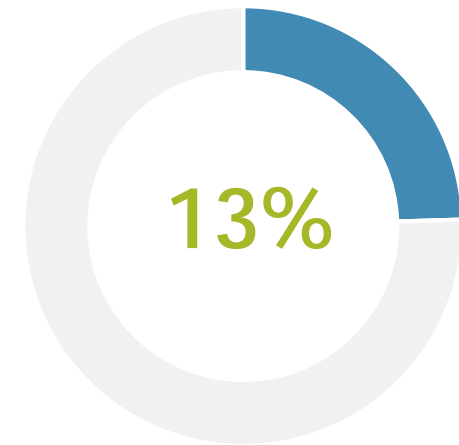
**223** Service Reduction



**136** Rent Increase



**47** No-cause Notice

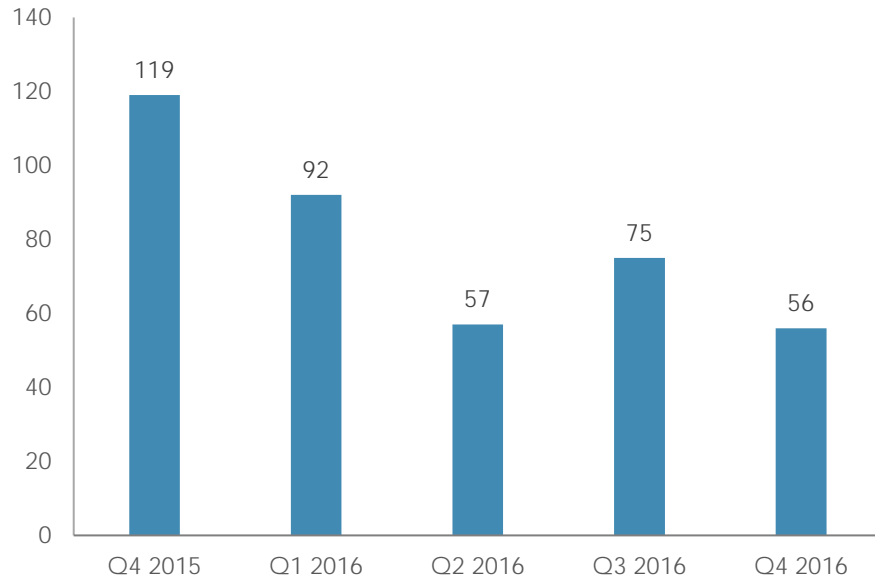


\*Note – out of a total of 368 cases. Some may include more than one issue, which explains the percentages totaling more than 100 percent.

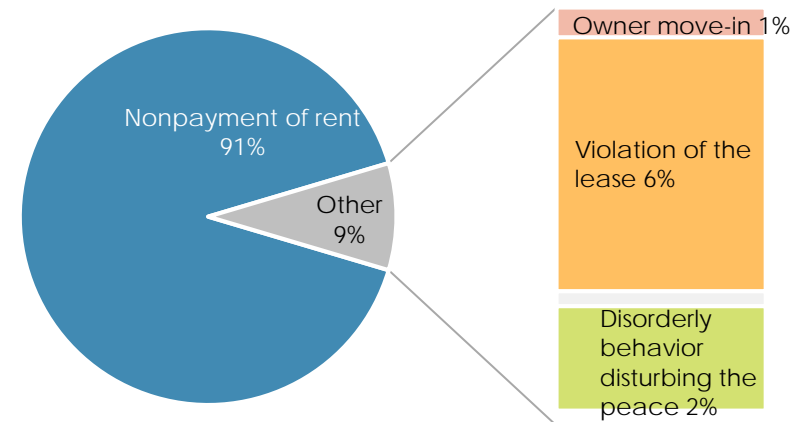
The total number of no-cause notices served to tenants decreased with the adoption of the Tenant Protection Ordinance

The vast majority of just-cause terminations are due to nonpayment of rent

No Cause Notices Received



260 Just Cause Terminations by Reason received May 10-June 30, 2017

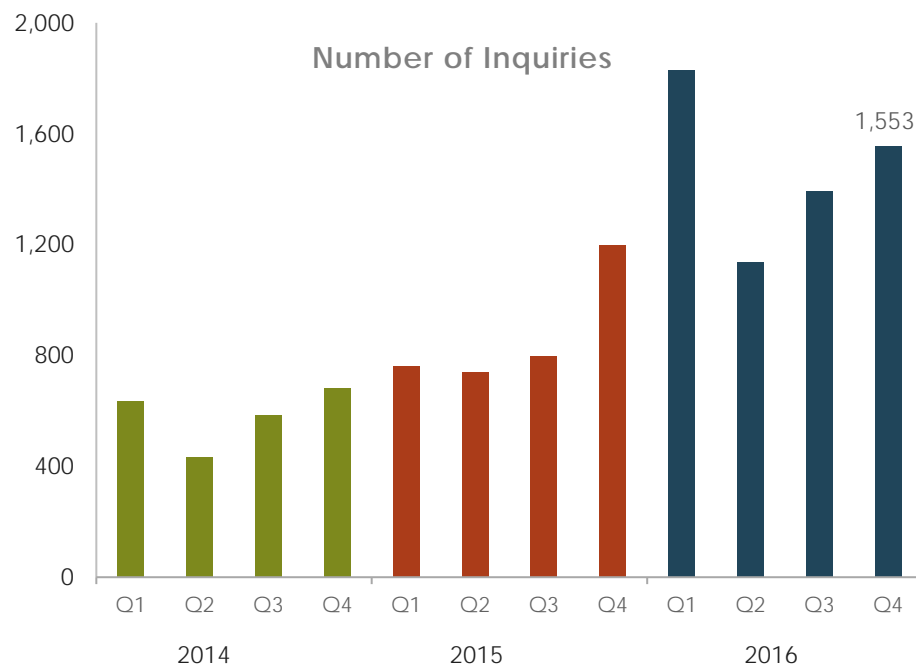


\*The Tenant Protection Ordinance was passed on May 9, 2017, eliminating no-cause notices and requiring the filing of just-cause notices.

As a result of the Tenant Protection Ordinance being implemented, many landlords are serving notices to vacate due to nonpayment of rent.

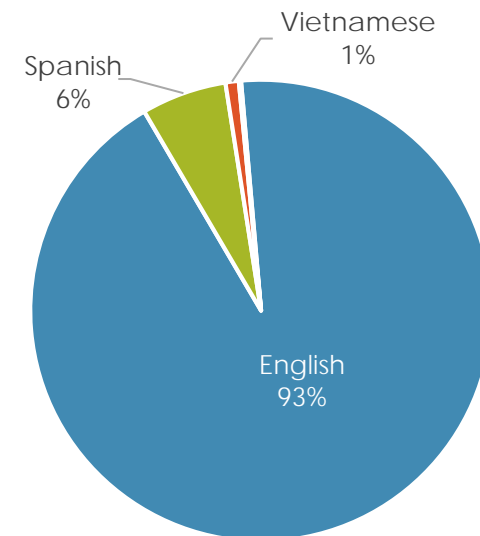
Client inquiries may have increased as a result of greater engagement through public events and community meetings.

The number of client inquiries has been increasing over the last three years



7% of all inquiries were made in a language other than English

Number of Inquiries by Language for FY 2016-17





## MOBILEHOME PROGRAM

The City of San José is committed to protecting the rights of mobilehome owners, park owners, and park managers and to providing education and information to improve their relationships. In the case of a rental dispute between a park owner and a mobilehome owner, knowing the law, having access to resources, and exploring options can improve outcomes.

The City's Mobilehome Rent Ordinance covers the 59 mobilehome parks where rental lots were permitted with plumbing, electrical, and sewage before September 7, 1979 with certain exceptions. The Ordinance regulates annual rent increases with a floor of 3% to a maximum 7%, based on a formula of a maximum annual percentage increase. The Ordinance also permits landlords to a fair rate of return on their investment and may request for a higher increase provided a petition is filed with the City.

### FY 2016-17 Fast Facts

- 59** number of mobilehome parks covered by the Mobilehome Rent Ordinance
- 10,838** number of mobilehome lots covered by the Mobilehome Rent Ordinance
- 222** inquiries regarding mobilehomes
- 90** number of days' notice required for management to increase a homeowner's rent
- 31%** mobilehome lots located in District 7 (Central San José)